

GCSE 2004

June Series



Mark Scheme

Economics

(3144/2H)

Mark schemes are prepared by the Principal Examiner and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation meeting attended by all examiners and is the scheme which was used by them in this examination. The standardisation meeting ensures that the mark scheme covers the candidates' responses to questions and that every examiner understands and applies it in the same correct way. As preparation for the standardisation meeting each examiner analyses a number of candidates' scripts: alternative answers not already covered by the mark scheme are discussed at the meeting and legislated for. If, after this meeting, examiners encounter unusual answers which have not been discussed at the meeting they are required to refer these to the Principal Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of candidates' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

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Economics - Paper Two, Higher Tier (3144/2H)

General Marking Guidance

While the task is structured in eight parts, answers are to be marked holistically according to the following criteria/levels.

Start at the highest level for each criteria, and look at the candidate's response to see if you can identify evidence of achievement of that level. If you cannot find evidence of that level, move down to the next level. It is not necessary to obtain the lower levels below that which is actually rewarded. For many levels it is only necessary for candidates to show the applicable evidence once to be awarded in that level. There are some levels, however, where candidates need to show evidence more than once. This particularly applies where the term "consistently uses" is in the level descriptor.

Layout/style/structure not to be rewarded.

Guidance will be provided to examiners at the standardisation meeting on how to differentiate between the range of marks at each level.

Quantity may be misleading.

Please note the mark scheme will be supplemented by extracts from candidates' answers selected during the standardisation process. These should be used to assist in determining the levels reached by the candidate being assessed.

Details of general instructions for markers will be found in the AQA *booklet Instructions for examiners marking scripts*, which follows the Mandatory Code of Practice. Further supplementary detailed instructions will be given by the Principal Examiner at the standardisation meeting.

1**Total for this question: 84 marks**

A few years ago *Easton City Transport Limited* celebrated 100 years of public passenger transport in the Easton area. Although the business has been successful in the past, it is currently facing a number of problems.

The major problem is the threat of a national bus company, *Butlers Buses*, moving into the Easton area. *Butlers Buses* is a serious competitor to the small local company.

As an economist working for *Easton City Transport Limited* you have collected the information given to you in the Information Leaflet.

Using the Information Leaflet, together with your knowledge and understanding of economics, write a report for the firm which clearly explains the problems facing the firm, and suggest the best way forward.

In your report, you should:

- outline the problems which face *Easton City Transport Limited* at present;
- explain the reasons for the successes of *Easton City Transport Limited*;
- explain and discuss the likely chance of *Butlers Buses* being successful in the Easton area;
- explain and discuss the possible options open to *Easton City Transport Limited*;
- recommend the most appropriate strategy if *Easton City Transport Limited* is to survive and become more competitive. Explain your answer.

Your report will be assessed on your ability to:

use economic knowledge, show understanding and use information; (20 marks)

apply economic concepts and theories and use appropriate economic terminology and methods; (20 marks)

select, organise and interpret information; (20 marks)

evaluate evidence, make reasoned judgements and draw appropriate conclusions; (20 marks)

present information in a clear, legible and logical way; spell, punctuate and use the rules of grammar accurately; and enable the meaning of the text to be understood. (4 marks)

Essay marking grid

Knowledge and Understanding and Use of Information		
Level 4	Substantial evidence of using economic knowledge and gathering of appropriate information to study the problem presented. Has assembled relevant evidence and shown very good understanding.	15-20 marks
Level 3	Has used economic knowledge in relation to the context of the problem. Has copied some material but has summarised and adopted other information. Demonstrates good understanding of evidence.	9-14 marks
Level 2	Some attempt to use economic knowledge gained in the course, but limited in its relevance. Most of the work is copied from source material and understanding is limited.	1-8 marks
Level 1	No relevant information presented.	0 marks

Application		
Level 4	Clear evidence of applying at least three economic concepts and theories appropriately to the problem. Precise use of economic terminology and methodology in addressing the problem.	15-20 marks
Level 3	Good attempt to apply economic concepts and/or terms to the problem. Demonstrates ability to apply at least two economic theories to the problem. Use of appropriate economic terminology and methodology with some success.	9-14 marks
Level 2	Some attempt made to apply at least one economic concept and/or theory and/or term to the problem, but a tendency to make unsupported generalisations.	1-8 marks
Level 1	No attempt made to apply economic knowledge to the problem.	0 marks

Select/Organise/Analyse and Interpret		
Level 4	Information/data has been selected in an effective way. The information selected has been well organised; at least three sources have been analysed. Evidence of interpretation of information/data, applicable to the problem has been clearly demonstrated.	15-20 marks
Level 3	Information/data has been selected and organised in an effective way. The information selected has been organised; at least two sources have been analysed. Begins to interpret information/data in relation to the problem.	9-14 marks
Level 2	Some evidence that data/information has been selected and organised. There is evidence of selection and organisation from at least one source. There has been some relevant analysis of the information used, but little or no interpretation has been carried out.	1-8 marks
Level 1	No attempt made to select, organise, analyse or interpret data.	0 marks

Evaluation/Judgement		
Level 4	Examines the problem and draws conclusions which are supported with evidence. Judgements and recommendations have been made, using economic knowledge from the course. There is good evaluation of evidence with some reasoned judgements.	15-20 marks
Level 3	Begins to examine critically and draw conclusions supported by some evidence with judgements and recommendations based on economic knowledge from the course. There is some relevant evaluation of evidence.	9-14 marks
Level 2	A limited attempt to draw conclusions and make reasoned judgements in an elementary way. There is some attempt to evaluate the evidence.	1-8 marks
Level 1	No attempt made to draw conclusions.	0 marks

Quality of Written Communication		
Level 4	Information is clearly and logically presented using an appropriate form. The text is legible. Candidates spell, punctuate and use the rules of grammar accurately, enabling the meaning to be clearly understood.	4 marks
Level 3	Information is presented in an appropriate form. The text is legible. Candidates generally spell, punctuate and use the rules of grammar accurately, although there may be some errors. The meaning is clear.	2-3 marks
Level 2	Some of the information presented is in an appropriate form. Generally the text is legible. Although there are errors in spelling, punctuation and grammar, candidates' meaning can be understood.	1 mark
Level 1	Candidates have failed to reach the standard required for the award of a mark.	0 marks

Examples of expected responses**Some of the problems facing Easton City Transport Limited**

- Decline in total number of passengers.
- Only increase was in route to Hatton which is unlikely to continue and a long distance.
- High cost of wages and salaries - industrial action planned.
- Old fleet which needs replacing - high cost of replacements - double/single deck buses.
- Near bottom of profitability league of bus companies.
- Problems of recruiting labour.
- Major problem - threat of *Butlers Buses*.
- Higher fuel charges forecasted.
- Southlands – number of passengers rose yet fare revenue fell.
- Candidates should explain the effects of these on the company's costs, revenue and profits.

Reasons for successes of Easton City Transport Limited

- Been able to get rid of excess capacity.
- A local monopoly - no competition for public transport services in the area and can concentrate on most profitable routes.
- Most routes are short distances which reduce fuel costs.
- Use of Travel Cards in its pricing policy.
- Success of Park and Ride scheme.
- Well known for reliability and punctuality.
- Travelcard.
- Awards for safety.

Some possible reasons why Butlers Buses might be successful might include the following:

- *Butlers Buses*, being one of the country's largest bus operators, can gain economies of scale which will reduce average costs and therefore *Butlers Buses* could charge lower fares than *Easton City Transport Limited* - appropriate examples of economies of scale.
- *Butlers Buses* could concentrate its resources on the most popular routes only.- “cherry picking”.
- *Butlers Buses* could subsidise any loss making routes from profit elsewhere in the country.
- *Butler's Buses* would have surplus buses - would not need to purchase new buses.

Why Butlers Buses might not be successful

- Loyalty of customers to *Easton City Transport Limited*.
- *Easton City Transport Limited* provides services throughout the city and maybe more frequently.
- *Easton City Transport Limited*'s pricing policy, such as Travelcards.
- *Easton City Transport Limited* provides new services, such as for the new Morrison Superstore, and new routes to City Hospital which is highly successful.
- Small firms can survive - personal service, specialised markets etc applies to buses.

Possible strategies for Easton City Transport Limited to survive**(a) Invest in new buses**

- Old ageing fleet needs replacing.
- Costs of replacing buses and which type and why.
- what if buses not replaced.
- already a reduction in size of bus fleet.

(b) To cut prices

- Should increase number of passengers.
- Will it increase total revenue?
- What if this leads to a price war with *Butlers Buses*? - who might survive and why?
- Elasticity of demand for bus travel.

(c) Other strategies

- Merge with other local bus operators.
- Aggressive marketing/advertising strategies.
- Lower prices on some routes.
- Flat rate fare.